



Testimony on HB 5620 (Hornberger) and HB 5621 (Allor)

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Chairman Tedder, committee members, thank you for allowing me to testify on HB 5620 and HB 5621, legislation that will allow purchasers to claim a refund for overpaid sales and use tax.

My name is Dan Papineau and I am the director of tax policy for the Michigan Chamber of Commerce and we support these bills.

HB 5620 and HB 5621 puts a process in place that currently does not exist for a seller to assign a claim for a sales or use tax refund from the Department of Treasury to a purchaser. So, what does this mean?

Let me give you an example:

A small manufacturer purchases a condenser to control emissions in their factory from ABC Equipment. The manufacturer installs the condenser and realizes that sales tax was paid on the condenser even though the purchase was a tax-exempt transaction covered under the pollution control equipment exemption per PA 451 of 1994. Under current law the manufacturer would have to ask ABC Equipment to get their sales tax refund from the Department of Treasury for them. The Manufacturer could not ask the Department for the refund directly.

This presents a few problems. First, ABC Equipment has no benefit to get someone else's money back for them. In fact, it actually costs ABC time and resources. Second, ABC Equipment might not have the information needed to get a purchaser or the manufacturer's refund easily accessible, or maybe at all. Third, a purchaser might not feel comfortable asking the seller to file a claim for refund on their behalf for fear of hurting a business relationship.

The legislation before you simply provides a process for a purchaser, the manufacturer in this case, to get the refund for the overpayment directly from the Department of Treasury. The purchaser will not have to work through another entity, the seller, who likely could care less about the purchaser getting their money back for a mistake they, the purchaser made.

This is one example but consider the industrial processing exemption, purchases nonprofits make, and other sales or use tax exempt transactions.

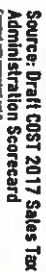
In closing, the Michigan Chamber feels like this is common sense legislation that helps taxpayers of all types across the state and hopes you can support HB 5620 and HB 5621.

With that, I would be happy to answer and questions.

In Michigan, sales and use taxes are technically levied on the seller in a sales transaction. It is, however, widely accepted that this tax is passed along to the purchaser. Unfortunately, Michigan is an outlier in the fact that the purchaser is unable to get an over-payment of sales or use tax refunded themselves. Today, the seller would have to get it back for them.

- The seller has no financial benefit to get someone else's money back for them.

- The purchaser might not feel comfortable asking the seller for their money back for fear of hurting a business relationship.
- The seller might not have the information needed to get a purchaser their refund from Treasury easily accessible, if at all.



What might this look like?

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A Michigan nonprofit goes to an office supply store to purchase office supplies. They mistakenly forget to claim at checkout that they had sales tax exempt status and paid sales tax. Under current law, the Michigan nonprofit cannot get their money back from the Department of Treasury.

Under current law, the Michigan nonprofit cannot get their money back from the Department of Treasury.

☐ Not allowed

- **No written policy**

Written policy allowing purchaser to file for refunds